

TOWN OF LOXAHATCHEE GROVES, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

TOWN OF LOXAHATCHEE GROVES, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

PREPARED BY:
THE TOWN OF LOXAHATCHEE GROVES
UNDERWOOD MANAGEMENT SERVICES GROUP, LLC

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INTRODUCTORY SECTION



Town of Loxahatchee Groves

4579 Southern Blvd, Suite 2, Loxahatchee Groves, Florida 33470 (561) 793-2418 Fax (561) 793-2420

May 24, 2012

To The Honorable Mayor and Members of the Town Council
14579 Southern Blvd., Suite 2
Loxahatchee Groves, Florida 33470

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Loxahatchee Groves, Florida, for the fiscal year ended September 30, 2011, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the Town Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The financial statements have been audited by Nowlen, Holt & Miner, P.A., Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the Town in conformity with GAAP. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The Town of Loxahatchee Groves (the "Town") is a political subdivision of the State of Florida located in Palm Beach County (the "County") incorporated in November 2006. The Town has a population estimated at 3,180 residents living within 12.5 square miles. The Town is a rural-residential community with a limited commercial district.

The Town operates under a Council-Manager form of government in which the Town elects five council members, one of whom is the Mayor. Council members are elected for three year terms. The Town Council determines the policies that guide the Town's operations and hire a Town Manager to implement and administer these policies that guide the Town's operations and implement these policies on a full-time basis. The Town functions under the basis of "Contract Form of Government" with no employees.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit proposed budgets to the Town Manager, who then makes any necessary revisions. The Town Manager then presents to the Town Council for their review, a budget estimate of the expenditures and revenues of all the Town's departments. Two public hearings are then conducted to inform taxpayers of the proposed and final budget, to receive their comments, and respond to their questions on the budget. A majority affirmative vote of the quorum is needed to adopt the budget, which is legally enacted prior to October 1st by the passage of a Resolution. The Town's budget is approved at the fund level.

The Town Council must approve all budget amendments as well as any supplemental appropriations. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations.

ECONOMIC CONDITION AND OUTLOOK

The growth and development of the Town of Loxahatchee Groves is dependent upon the economic environment of South Florida and particularly that of Palm Beach County. The major economic influences in this area are the housing market, the regional job market, new construction, weather events and uncertainty of any future tax reform.

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. For the fiscal year ending September 30, 2011, the maximum tax levy allowed by a majority vote of the governing body is based on a percentage reduction applied to the prior year property tax revenue. The percentage reduction is calculated based on the annual growth rate in the per capita property taxes levied for the fiscal year ended September 30, 2010. For the fiscal year ending September 30, 2012 the Town Council adopted a rate of 1.2 mills. This millage rate results in a total tax levy of \$210,000, representing a reduction of \$53,434 or 20.3% from the property tax levy for 2011. Future property tax growth is limited to the annual growth rate of per capita personal income, which is currently minimal, plus the value of new construction.

The impact of the ongoing recession and declining property values are a central influence in decisions made during the current fiscal year, as well as, in next year's budget. The combination of the current recession and collapse of the housing market have resulted in declining property values and in a large loss of tax dollars. Additionally, there is current proposed legislation that could place further restrictions on the amount of property taxes a municipality in Florida could levy.

LONG TERM FINANCIAL PLAN

The Town adopted a Comprehensive Plan. Within this plan, the Town will examine the growth opportunities for the Town over the next 10 years. Management will continue to review revenues received from other sources to verify that, as a new government, the Town is receiving those revenues to which it is entitled. The Town will also continue to pursue new revenue streams which will have as little impact on the residents as possible. In addition, the Town will continue to contract municipal services to maintain low operational costs and the best opportunity to keep taxes as low as possible. Maintaining appropriate reserves will enable the Town to absorb the increased costs of contracted services, as well as, the decrease of the ad-valorem base due to the continued decrease in property values within the Town.

FINANCIAL INFORMATION

Town Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management. In addition, the Town maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated

budget approved by the Town Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the fund level.

The Town's *accounting system* is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The type of funds used are generally determined by the Town Council upon the recommendations of the Town Manager and the Finance Director which is based upon established and accepted accounting policies and procedures as well as the number of funds required.

INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Nowlen, Holt & Miner, P.A., to perform the independent audit of the Town's financial statements for the year ended September 30, 2011. The Independent Certified Public Accountants' report is presented in the financial section of this Comprehensive Annual Financial Report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Loxahatchee Groves for its comprehensive annual financial report for the fiscal year ended September 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of Underwood Management Services Group, LLC and the Town's audit firm, Nowlen, Holt & Miner, P.A.. We wish to express our appreciation to the staff for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

In closing, without the leadership and support of the Mayor and Town Council, the accomplishments and anticipated future successes noted in this report would not have been possible.

Respectfully submitted,

A handwritten signature in blue ink that reads "Mark A. Kutney". The signature is fluid and cursive, with the first name "Mark" being the most prominent part.

Underwood Management Services Group, LLC
Mark A. Kutney, ICMA-CM
Town Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Loxahatchee Groves
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandison

President

Jeffrey R. Egan

Executive Director

TOWN OF LOXAHATCHEE GROVES

List of Elected Town Officials

September 30, 2011

Council-Manager Form of Government

TOWN COUNCIL

David W. Browning, Mayor

Ryan Liang, Vice Mayor

Tom Goltzene, Councilmember

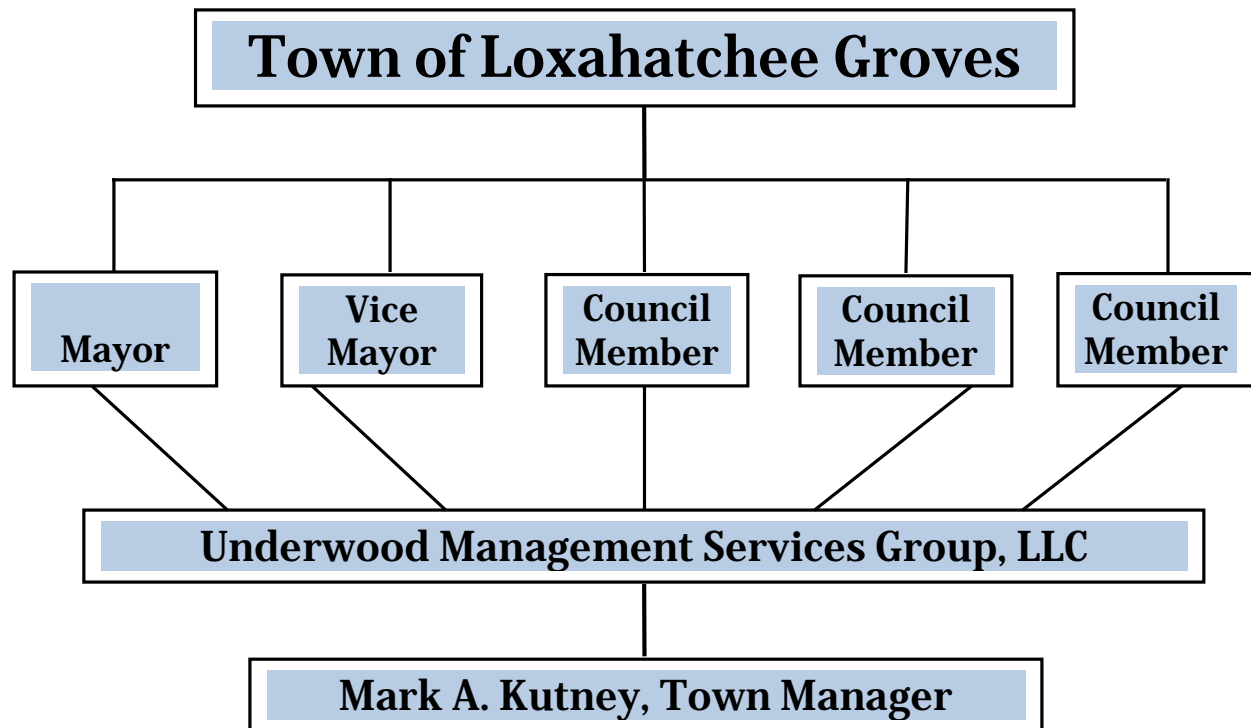
Ronald D. Jarriel, Councilmember

James Rockett, Councilmember

Prepared by:

Underwood Management Services Group, LLC

Town of Loxahatchee Groves Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCOPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CPA
ALEXIA G. VARGA, CPA
EDWARD T. HOLT, JR., CPA
BRIAN J. BRESCIA, CFP®, CPA

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
KARA D. PETERSON, CPA

INDEPENDENT AUDITORS' REPORT

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Honorable Mayor and Members of the Town Council
Town of Loxahatchee Groves, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Loxahatchee Groves, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Loxahatchee Groves, Florida as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2012, on our consideration of the Town of Loxahatchee Groves, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Loxahatchee Groves, Florida's basic financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
May 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis

As management of the Town of Loxahatchee Groves, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Loxahatchee Groves (the Town) for the fiscal year ended September 30, 2011. Readers are encouraged to consider the information presented here in conjunction with the auditors' reports, the basic financial statements, the notes to the financial statements, and the supplementary information.

Financial Highlights for Fiscal Year 2011

- Ø At September 30, 2011, the assets of the Town of Loxahatchee Groves exceeded its liabilities by \$620,295 was restricted by law or agreements. The Town had \$2,044,965 (*unrestricted net assets*) which may be used to meet the Town's ongoing obligations to citizens and creditors.
- Ø During the fiscal year 2011, net assets increased by \$544,352. The increase is attributable to excess revenues over expenses.
- Ø At September 30, 2011, the Town of Loxahatchee Grove's general fund reported an ending fund balance of \$2,045,135, an increase of \$373,580 as compared with the prior year. Of the total fund balance, \$2,016,698 or 99% of this total amount is available for spending at the government's discretion (*unreserved fund balance*). The unreserved fund balance represents 267% of total general fund operating expenditures.

Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Town:

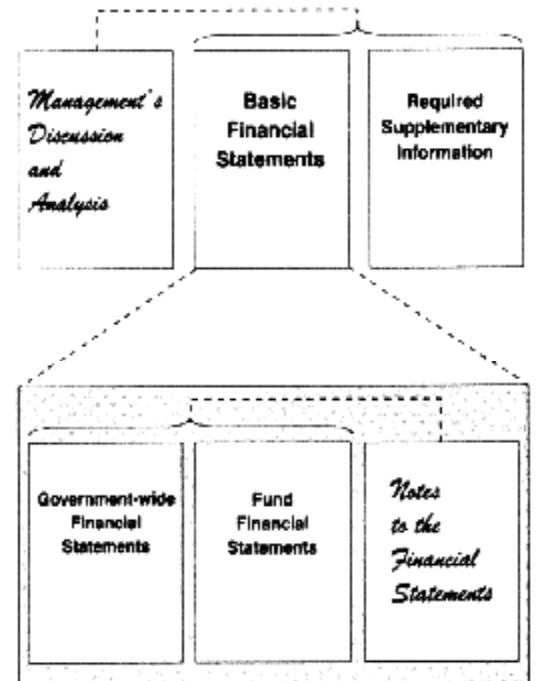
- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The *governmental funds* statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

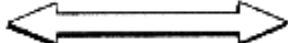
The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Figure A-1
Required Components of
City's Annual Financial Report



Summary  Detail

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Town include public works, police, and general administration services. The Town has one business-type activity for the provision of garbage and trash collection services.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The Town maintains two governmental funds; the General Fund and the Transportation Fund.

The Town adopts an annual appropriated budget for both the general fund and the transportation fund. A budgetary comparison statement has been provided for the General Fund and the Transportation Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

Enterprise funds. The Town has one enterprise fund, the Sanitation Fund, which charges customers for the services provided. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 29 of this report.

Government-wide Financial Analysis

Summary of net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activity assets exceeded liabilities by \$2,673,030. Business-type activity liabilities exceeded assets by \$4,102. The Town-wide total net assets were \$2,725,946 at the close of the fiscal year ended September 30, 2011. The Statement of Net Assets is on page 12 of this report.

The Town's investment in capital assets (e.g., land, buildings, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding) was \$7,600 or 0.3% of total net assets at September 30, 2011. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the net assets \$620,295 or 23% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,044,965 or 77% may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year.

Table 1
Town of Loxahatchee Groves
Summary of Net Assets

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 2,692,194	\$ 2,153,939	\$ 33,533	\$ -	\$ 2,725,727	\$ 2,153,939
Capital assets	7,600	3,656	-	-	7,600	3,656
Total assets	<u>2,699,794</u>	<u>2,157,595</u>	<u>33,533</u>	<u>-</u>	<u>2,733,327</u>	<u>2,157,595</u>
Liabilities:						
Other liabilities	26,764	33,019	37,635	-	64,399	33,019
Total liabilities	<u>26,764</u>	<u>33,019</u>	<u>37,635</u>	<u>-</u>	<u>64,399</u>	<u>33,019</u>
Net assets:						
Invested in capital assets	7,600	3,656	-	-	7,600	3,656
Restricted	620,295	449,365	-	-	620,295	449,365
Unrestricted	2,045,135	1,671,555	(4,102)	-	2,041,033	1,671,555
Total net assets	<u>\$ 2,673,030</u>	<u>\$ 2,124,576</u>	<u>\$ (4,102)</u>	<u>\$ -</u>	<u>\$ 2,668,928</u>	<u>\$ 2,124,576</u>

Governmental Activities.

- Ø During the fiscal year 2011, the Town's current assets increased by \$538,255 or 25%. The increase is mainly due to increases in cash as a result of the current year's operations.
- Ø Capital assets increased primarily due to land donated by the County.

Business Activities.

- Ø The Town created a proprietary fund to account for it solid waste removal operations in this fiscal year
- Ø The funding for the operation is derived from an assessment placed up residential properties within the Town's jurisdiction
- Ø The Town assess 1,260 residential properties \$372.73 per year for both the collection and disposal of solid waste.
- Ø Palm Beach County Property Appraiser notifies all affected property owners of the amount, public hearing date, and location of the meeting when the Town will adopt the Tentative Assessment
- Ø Palm Beach County Tax Collector receives all Town ad valorem tax and assessment payments and remits the funds to the Town.

The following is a summary of the changes in net assets for the years ended September 30, 2011 and 2010: Key indicators, including revenues and expenditures by category are presented herein for review:

Table 2
Town of Loxahatchee Groves
Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 11,948	\$ 458,111	\$ 464,023	\$ -	\$ 475,971	\$ 458,111
General revenues:						
Property taxes	263,170	321,912	-	-	263,170	321,912
Franchise fees	207,153	208,158	-	-	207,153	208,158
Utility taxes	345,155	481,710	-	-	345,155	481,710
Intergovernmental	635,465	633,171	-	-	635,465	633,171
Investment/other income	20,064	6,775	1,636	-	21,700	6,775
Total revenues	1,482,955	2,109,837	465,659	-	1,948,614	2,109,837
Expenses:						
General Government	477,173	451,305	-	-	477,173	451,305
Public safety	274,785	272,064	-	-	274,785	272,064
Physical environment	182,996	233,852	-	-	182,996	233,852
Sanitation		482,326	469,761	-	469,761	482,326
Total Expenses	934,954	1,439,547	469,761	-	1,404,715	1,439,547
Increase (decrease) in net assets	548,001	670,290	(4,102)	-	543,899	670,290
Net assets, beginning	2,124,576	1,454,286	-	-	-	-
Net assets, ending	\$ 2,672,577	\$ 2,124,576	\$ (4,102)	\$ -	\$ 543,899	\$ 670,290

Governmental Activities.

For fiscal year 2011, total revenues decreased by \$626,882. Property tax revenues decreased \$58,742 or 18% as a direct result of the housing market crisis and the downturn in the economy. Investment and other income increased \$13,289 or 196% due to an increase in transfers from the newly established Solid Waste Fund to offset general and administrative costs associated with providing operational support. Charges for services decreased \$446,163 or 97% due to sanitation moving to a business activity. Unrestricted intergovernmental revenues increased \$2,294 or 0.4%, franchise fee revenue decreased by \$1,005 or 0.5%, and utility tax revenue decreased by \$136,555 or 28%. The decrease in utility tax revenue was due to the 2010 revenue including one-time adjustment for prior years' revenues.

Total expenses decreased by \$504,583 or 35% primarily due to sanitation moving to a business activity.

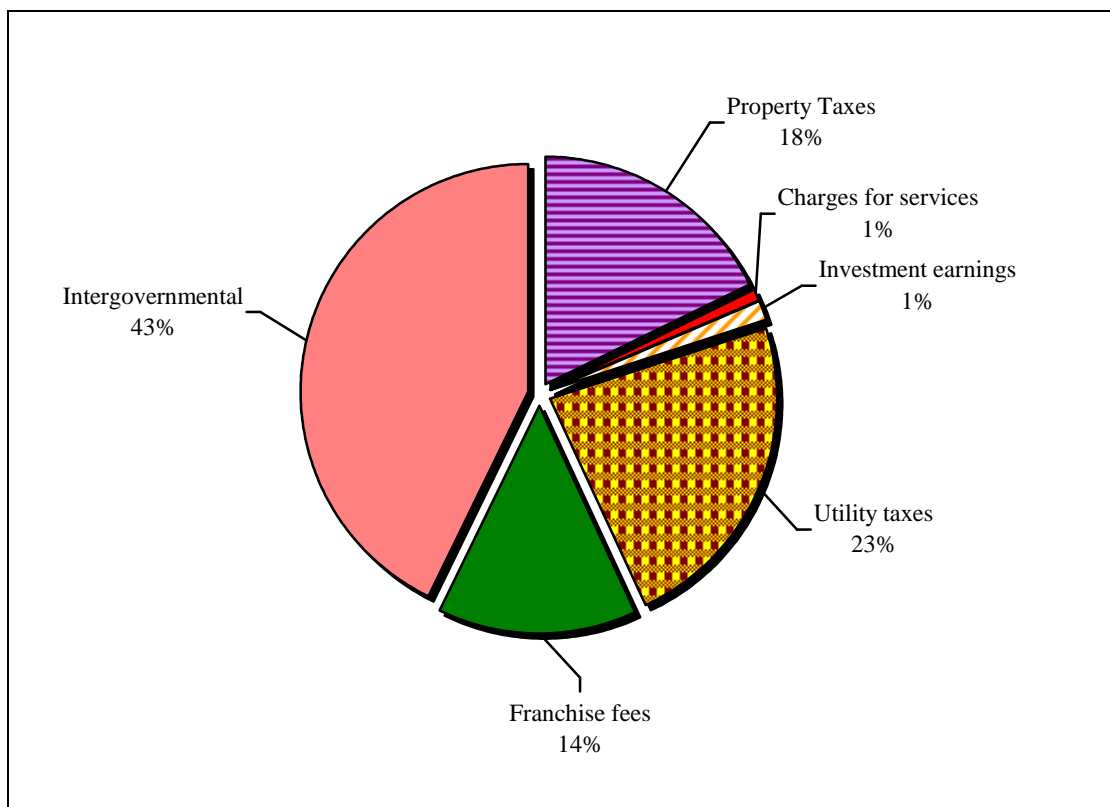
Business Activities.

Fiscal year 2011 is the first year the Town decided to establish a proprietary fund as an enterprise fund within the Town's oversight. Revenue earned by business-type activities is primarily concentrated in one source, charges for services, \$464,023. This figure represents the fees assessed for the City's enterprise fund, Solid Waste. Operating revenues increased by \$5,912 or 1.3% from a year ago for the Solid Waste Fund due to an assessment rate increase.

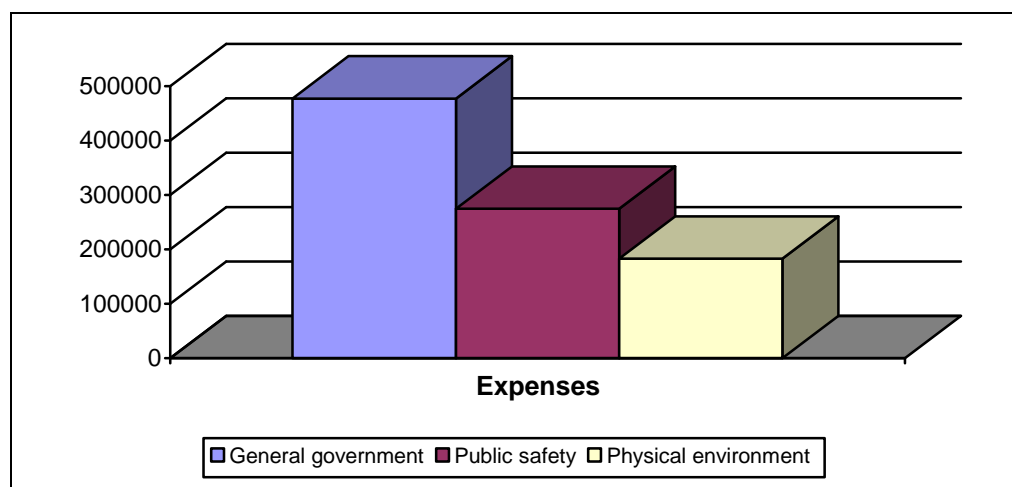
For business-type expenses, the \$469,761 represents Solid Waste expenses. The decrease of \$12,565 in total expense was the result of the decreases in costs of solid waste operations. As the Town controlled costs substantially during the year, the Town was able to increase its net assets by \$548,001 for the governmental activities and ended its first year of solid waste operations with a negative \$4,102 for the business-type activities.

Figure A-1

**Town of Loxahatchee Groves
Revenues by Source – Governmental Activities
For the Fiscal Year Ended September 30, 2011**



**Figure A-2
Town of Loxahatchee Groves
Expenses – Governmental Activities
For the Fiscal Year Ended September 30, 2011**



Financial Analysis of the Government's Funds

As noted earlier, the Town of Loxahatchee Groves uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year.

General fund. The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the Town's General Fund reported a fund balance of \$2,045,135 an increase of \$373,580 in comparison with the prior fiscal year.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2011 and 2010 is shown below:

Table 3
Town of Loxahatchee Groves
Summary of General Fund Balance Sheet

	2011	2010	Change	% Change
Total assets	<u>\$ 2,068,451</u>	<u>\$ 1,699,277</u>	<u>\$ 369,174</u>	22%
Total liabilities	23,316	27,722	(4,406)	(16)%
Nonspendable fund balance	28,437	28,437		
Assigned fund balance	1,000,000		1,000,000	
Unassigned fund balance	<u>1,016,698</u>	<u>1,643,118</u>	<u>(626,420)</u>	(38)%
Total fund balance	<u>2,045,135</u>	<u>1,671,555</u>	<u>373,580</u>	22%
Total liabilities and fund balance	<u>\$ 2,068,451</u>	<u>\$1,699,277</u>	<u>(\$369,174)</u>	22%

During the fiscal year 2011, the General Fund assets increased by \$369,174 or 22%. The increase is mainly due to increases in cash as a result of the current year's operations. Liabilities decreased by \$4,406 or 16% mainly due to reductions in accounts payable and builder's planning deposits. Total fund balance increased by \$373,580 or 22% due to revenues exceeding expenditures. Unassigned fund balance decreased by \$626,420 or 38% and assigned fund balance increased by \$1,000,000 due to the budgeted transfer in the subsequent year for the creation of the Capital Project Fund.

Table 4
Town of Loxahatchee Groves
Summary of General Fund Statement of Revenues,
Expenditures, and Changes in Fund Balance

	2011	2010	Change	% Change
Total revenues	\$ 1,129,436	\$ 1,742,505	\$ (613,069)	(35)%
Total expenditures	<u>755,856</u>	<u>1,204,251</u>	<u>(448,395)</u>	(37)%
Excess of revenues over expenditures	<u>373,580</u>	<u>538,254</u>	<u>(164,674)</u>	(31)%
Other financing uses	<u></u>	<u>(315,885)</u>	<u>315,885</u>	
Change in fund balance	373,580	222,369	151,211	68%
Fund balance, beginning	<u>1,671,555</u>	<u>1,449,186</u>	<u>222,369</u>	15%
Fund balance ending	<u>\$ 2,045,135</u>	<u>\$ 1,671,555</u>	<u>\$ 373,580</u>	22%

The Town of Loxahatchee Groves revenues decreased \$613,069 or 35%. Although property tax revenues decreased \$124,382, charges for services decreased \$54,657 and investment income decreased \$2,971; these decreases were offset by increases in utility taxes of \$212,962 due to reallocation of revenues between the Town and the County. But, in addition, General Fund revenues decreased \$361,813 due to the transfer of intergovernmental revenues to the newly created Transportation Fund.

Total expenditures increased \$116,915 or 9% due to the Town increasing services necessary to meet the demands of a new government.

General Fund Budgetary Highlights

The Town adopts annual budgets by fund, department and line item in compliance with Florida State Statute Section 200.065 (commonly referred to as the Truth-in Millage Legislation). The law requires municipal organizations to prepare and adopt annual operating budgets for the General, Special Revenue and Debt Service Funds following uniform time frames related to property tax levies. The balanced budgets may be revised throughout the year. The Town's code allows for department level budget transfers without Council approval; however, fund total changes require Council-approved budget amendments adopted by resolution.

The estimated revenues are lagging \$126,460 or 10.1% behind the estimated revenue caused primarily by an assumption that a one-time lump sum payment for communication services taxes would be repeated in this fiscal year but failed to materialize. However, the unanticipated drop in revenue was somewhat mitigated by a \$68,386 favorable variance in expenditures below appropriations. The most significant saving occurred within the planning and zoning function of the Town where \$56,414 or 12.5% of the appropriation was not used.

The Town's policy is to adopt the budget following the second public hearing of each fiscal year, held in September for an October 1st year. Budget amendments may be presented to Council at any time during the fiscal year.

Over the course of the year, the Town did amend the General Fund budget. The fiscal year final 2011 budget was \$1.3 million. Revenues failed to meet budgeted amounts by approximately \$127 thousand and expenses were approximately \$82 thousand below budgeted amounts. General government, \$68 thousand, was the most significant contributor to this variance. There was a significant savings in general government costs and various departmental savings due to cost cutting and conservative spending.

Budget versus actual schedules are presented on page 30 for the general fund.

Capital Assets and Long Term Debt

As of September 30, 2011, the Town's investment in capital assets amounted to \$7,600 (net of accumulated depreciation). More details relating to capital assets can be found on page 27 of the footnotes.

The Town has no long term debt.

Economic Factors and Next Year's Budgets and Rates

- In setting its fiscal 2011-2012 budget, the Town adopted a millage rate of 1.20.
- The Town of Loxahatchee Groves anticipates that the total assessed property value will decrease 13% for 2011. Accordingly, the Town's reserves that have been built up will secure the Town's income flow for the upcoming fiscal years.
- For fiscal year 2011, the Town established a Sanitation Fund to account for revenues from the assessment of sanitation fees and the related expenses.

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely upon property taxes and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, occupational license, etc.) for funding of their governmental activities. In addition, there are a limited number of

state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

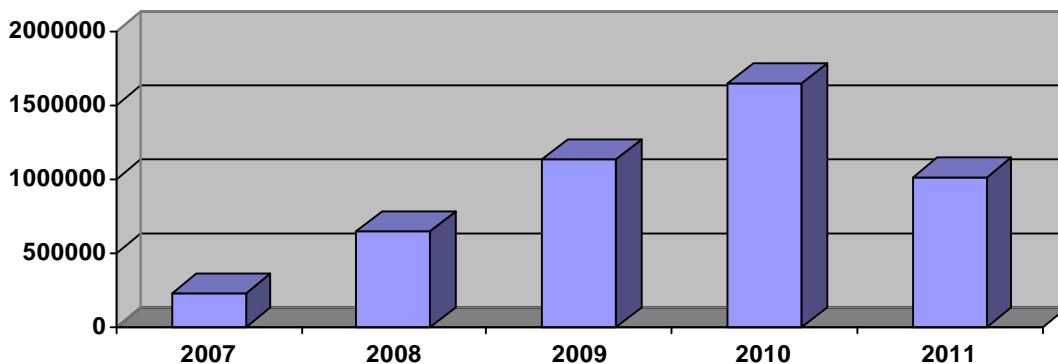
On January 29, 2008 the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009. Additional tax relief bills are expected to be introduced at the upcoming legislative session which could, if ratified, further limit the extent to which municipalities can levy taxes.

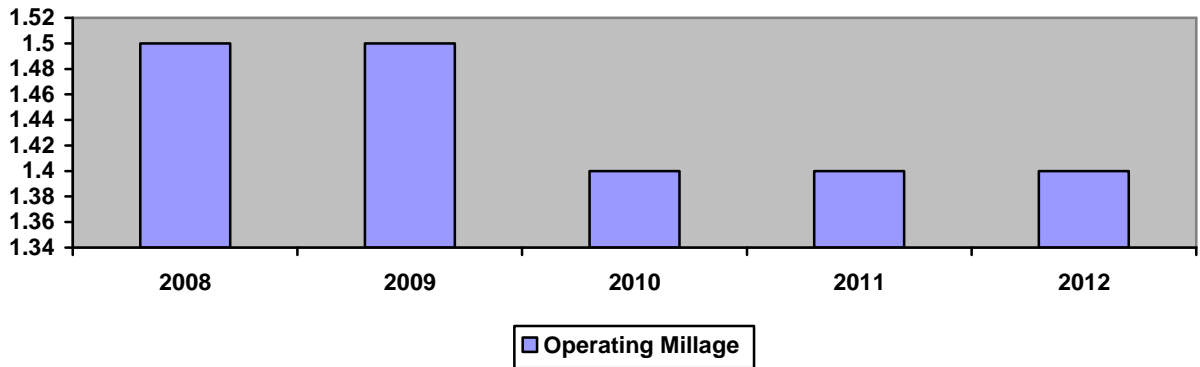
Revenues in the FY 2011 adopted General Fund budget are \$1.25 million, a decrease of approximately 28% from the FY 2011 actual revenues of \$1.74 million. Fiscal year 2011 budgeted expenditures are expected to be consistent with actual expenses of \$1.25 million for fiscal year 2011.

General Fund Unassigned Surplus For the Fiscal Years ended September 30, 2007-2011



In 1995, the state of Florida limited all local governments' ability to increase property assessments of homestead property in any given year to 3 percent or cost of living, whichever is lower. The graph below shows the millage rates over the past four years. The Town, just like many cities across the country, has to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

**Town of Loxahatchee Groves Millage
For the Fiscal Years ended September 30, 2008-2012**



The operating millage rate for tax year 2011, which is collected in fiscal year 2012, is 1.2 or \$1.20 per thousand dollars of taxable value. Under current legislation, the Town was required to rollback its millage rate to the rollback rate less 5%. The 2011 budget achieved this objective. Historically, the rollback rate has always been lower than the existing rate. However, with new laws, the rolled back rate was actually higher, even though the resulting tax bill will be lower due to the new homestead exemption. Overall, the adopted budget is an economical and prudent financial plan that will ensure quality public services and needed capital improvements for all residents, both today and in the future.

Requests for Information

This financial report is designed to provide a general overview of the Town of Loxahatchee Groves' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 14579 Southern Blvd., Suite 2, Loxahatchee Groves, Florida 33470.

BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,551,703	\$ 33,533	\$ 2,585,236
Receivables			
Franchise and utility taxes	58,335		58,335
Due from other governments	53,719		53,719
Prepaid items	28,437		28,437
Capital assets			
Non-depreciable	3,932		3,932
Depreciable (net of depreciation)	3,668		3,668
Total assets	2,699,794	33,533	2,733,327
LIABILITIES AND NET ASSETS			
Accounts payable	23,315	37,635	60,950
Deposits for planning and zoning	3,449		3,449
Total liabilities	26,764	37,635	64,399
Net Assets			
Invested in capital assets	7,600		7,600
Restricted for:			
Transportation	620,295		620,295
Unrestricted	2,045,135	(4,102)	2,041,033
Total net assets	\$ 2,673,030	\$ (4,102)	\$ 2,668,928

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2011

Function / Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 477,173	\$ 11,948	\$	\$	\$ (465,225)	\$	\$ (465,225)
Public safety	274,785				(274,785)		(274,785)
Physical environment	182,996			453	(182,543)		(182,543)
Total governmental activities	934,954	11,948		453	(922,553)		(922,553)
Business-type activities							
Sanitation	469,761	464,023				(5,738)	(5,738)
		General revenues					
		Property taxes			263,170		263,170
		Franchise taxes			207,153		207,153
		Utility taxes			345,155		345,155
		Intergovernmental (unrestricted)			635,465		635,465
		Interest and other			20,064	1,636	21,700
		Total general revenues			1,471,007	1,636	1,472,643
		Change in net assets			548,454	(4,102)	544,352
		Net assets, beginning of year			2,124,576		2,124,576
		Net assets, end of year			<u>\$ 2,673,030</u>	<u>\$ (4,102)</u>	<u>\$ 2,668,928</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2011

	Major Funds		
	General	Transportation Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 1,954,706	\$ 596,997	\$ 2,551,703
Receivables			
Franchise and utility taxes	58,335		58,335
Due from other governments	26,973	26,746	53,719
Prepaid items	28,437		28,437
Total assets	<u>\$ 2,068,451</u>	<u>\$ 623,743</u>	<u>\$ 2,692,194</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 19,867	\$ 3,448	\$ 23,315
Deposits for planning and zoning	3,449		3,449
Total liabilities	<u>23,316</u>	<u>3,448</u>	<u>26,764</u>
Fund balances			
Nonspendable:			
Prepaid items	28,437		28,437
Restricted for:			
Transportation		620,295	620,295
Assigned for capital projects	1,000,000		1,000,000
Unassigned	1,016,698		1,016,698
Total fund balances	<u>2,045,135</u>	<u>620,295</u>	<u>2,665,430</u>
Total liabilities and fund balances	<u>\$ 2,068,451</u>	<u>\$ 623,743</u>	<u>\$ 2,692,194</u>

Reconciliation to the Statement of Net Assets

Fund balances - governmental fund	\$ 2,665,430
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	<u>7,600</u>
Net assets of governmental activities	<u>\$ 2,673,030</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds		
	General	Transportation Special Revenue	Total
Revenues			
Property taxes	\$ 263,170	\$	\$ 263,170
Franchise taxes	207,153		207,153
Utility service taxes	345,155		345,155
Intergovernmental revenues	281,946	353,519	635,465
Licenses and permits	9,596		9,596
Charges for services	2,352		2,352
Interest and other	20,064		20,064
Total revenues	<u>1,129,436</u>	<u>353,519</u>	<u>1,482,955</u>
Expenditures			
Current			
General government	480,664		480,664
Public safety	274,785		274,785
Physical environment	407	182,589	182,996
Total expenditures	<u>755,856</u>	<u>182,589</u>	<u>938,445</u>
Net change in fund balances	373,580	170,930	544,510
Fund balances, beginning of year	<u>1,671,555</u>	<u>449,365</u>	<u>2,120,920</u>
Fund balances, end of year	<u>\$ 2,045,135</u>	<u>\$ 620,295</u>	<u>\$ 2,665,430</u>

Reconciliation to the Statement of Activities

Net change in fund balances \$ 544,510

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ 5,012	
Less: current year depreciation	<u>(1,521)</u>	3,491

Donations of capital assets affect net assets in the statement
of activities, but do not appear in the governmental funds
because they are not financial resources.

<u>453</u>
<u>\$ 548,454</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Assets
Proprietary Fund
September 30, 2011

	<u>Sanitation Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 33,533</u>
Total assets	<u>33,533</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>37,635</u>
Total liabilities	<u>37,635</u>
Net Assets	
Unrestricted	<u><u>\$ (4,102)</u></u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenditures, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2011

	Sanitation Fund
	<hr/>
Operating revenues	
Charges for services	\$ 464,023
	<hr/>
Operating expenses	
Solid waste contractor	441,449
Contractual waste oversight	10,000
Management fees	12,000
Other expenses	6,312
Total operating expenses	<hr/> 469,761 <hr/>
Operating loss	<hr/> (5,738) <hr/>
Nonoperating revenues	
Interest	<hr/> 1,636 <hr/>
Change in net assets	(4,102)
Net assets, beginning of year	<hr/>
Net assets, end of year	<hr/> \$ (4,102) <hr/>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2011

	Sanitation Fund
	<u> </u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 464,023
Payments to suppliers	(420,126)
Payments to other funds	<u>(12,000)</u>
Net cash provided by operating activities	<u>31,897</u>
 Cash flows from investing activities:	
Interest income	<u>1,636</u>
Net cash provided by investing activities	
 Net increase in cash and cash equivalents	33,533
 Cash and cash equivalents, beginning of year	<u> </u>
Cash and cash equivalents, end of year	<u><u>\$ 33,533</u></u>
 Cash flows from operating activities	
Operating loss	\$ (5,738)
 Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>37,635</u>
Net cash provided by operating activities	<u><u>\$ 31,897</u></u>

See notes to the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Loxahatchee Groves, Florida (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town was incorporated on November 1, 2006 as a municipal corporation, in accordance with Chapter 2006-328 under the Laws of the State of Florida, and was established to conduct a government, perform municipal functions, and provide services to its citizens, as provided by the Constitution of the State of Florida. The Town operates under a Council-Manager form of government. The Town Council is responsible for legislative and fiscal control of the Town. A Town Manager is appointed by the Town Council and is responsible for the administration of all Town affairs placed in the manager's charge by charter or action of the Town Council.

In accordance with generally accepted accounting standards, the underlying concept of the governmental financial reporting entity is that governmental organizations are responsible to elected governing officials; therefore, financial reporting should report the elected officials' accountability for those organizations. Furthermore, the financial statements of the reporting entity should allow users to distinguish between the primary governments and its component units if any, by communicating information about the component units and their relationships with the primary government. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Determining factors of financial accountability include appointment of a voting majority, imposition of will, financial benefit or burden on a primary government, or fiscal dependency. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon application of these criteria, the Town of Loxahatchee Groves has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the Town that would be required to be included in the Town’s financial statements.

Government-wide and Fund Financial Statements – GASB Statement #34

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements – GASB Statement #34 (Continued)

For the most part, the effect of inter-fund activity has been removed from these statements, except for inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental Funds (Continued)

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

The Town reports the following major governmental funds:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Transportation Fund is a special revenue fund that accounts for the revenues that are restricted for transportation related expenditures.

Proprietary Fund

The Town reports one major proprietary fund the Sanitation Enterprise fund to account for the Town's garbage and trash collection services, which are financed primarily by user charges.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Sanitation Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts, money market accounts and certificate of deposits.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items in governmental funds are accounted for using the consumption method.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to" or "due from other funds". Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and interfund balances totally within governmental activities and those that are totally within business-type activities are eliminated and not presented in the government wide financial statements. Transfers and balances between governmental and business-type activities are presented in the government-wide financial statements.

Capital Assets

Capital assets, which include equipment are reported in the government-wide financial statements. Capital assets, excluding infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

As of September 30, 2011 the County has only transferred one piece of land that would be considered infrastructure (roads, sidewalks and similar items) to the Town.

Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

Equipment	5 to 10 years
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TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Equity in the government-wide statement of net assets is displayed in three categories: 1) invested in capital assets, 2) restricted, 3) unrestricted. Net assets invested in capital assets consist of capital assets reduced by accumulated depreciation. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

Fund Equity

Fund balance is the difference between assets and liabilities reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by formal action of the Town Council.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Town Council that are neither considered restricted or committed.
- Unassigned fund balance is the residual fund balance classification for the general fund.

The Town will first use restricted fund balance then committed fund balance then assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

For purposes of the statement of cash flows, the Town considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of two resolutions – one establishing a milage rate and another adopting the final budget.
4. The Town prepares and adopts a budget for the General Fund. No differences exist between the budgetary and GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. If, at any time during the fiscal year, it appears probable to the Town Manager that the revenues available will be insufficient to meet the amount appropriated, the Town Manager shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to any other steps that should be taken. The Council shall then take such further action as it deems necessary to prevent or minimize any deficit and, for that purpose, the council may by resolution reduce one or more appropriations accordingly. Therefore, the legal level of control (level of which expenditures may not exceed the budget) is at the fund level.
5. Appropriations along with encumbrances lapse on September 30.
6. During the fiscal year ended September 30, 2011, there was one supplemental appropriation.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the Town is established by the Town Council prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the year ended September 30, 2011, was 1.200 mills (\$1.200 per \$1,000 of taxable assessed valuation).

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. Taxes may be paid less a discount beginning November 1. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1, following the year in which they are assessed.

On or prior, to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 3 - CASH AND INVESTMENTS

Deposits

As of September 30, 2011, the carrying amounts of the Town's deposits were \$2,585,236 and the bank balances totaled \$2,601,621. All cash deposits are covered by FDIC insurance or the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes

The collateral pool consists of assets pledged to the State Treasurer by financial institutions that comply with the requirements of Florida Statutes and have been thereby designated as "qualified public depositories". Therefore, the Town's entire bank balance of \$2,585,236 is insured either by Federal depository insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act. The Town's deposits at year end are considered insured for custodial credit risk purposes.

Investments

The Town adopted an investment policy on August 5, 2008, which is consistent with the requirements of State Statute 218.415. In accordance with Section 218.415 of the Florida Statutes, the Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities and in the Local Government Surplus Trust Funds administered by the State Board of Administration (SBA).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy states that interest rate risk will be minimized by:

1. Structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$	\$ 3,932	\$	\$ 3,932
Capital assets being depreciated:				
Equipment	7,220	1,533		8,753
Less accumulated depreciation for:				
Equipment	(3,564)	(1,521)		(5,085)
Governmental activities capital assets, net	<u>\$ 3,656</u>	<u>\$ 3,944</u>	<u>\$</u>	<u>\$ 7,600</u>

Depreciation expense was charged to the general government functions/programs of the Town.

NOTE 5 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has joined with other municipalities in the State participating in the Florida League of Cities Municipal Self Insurance Program, (the Program) a public entity risk pool currently operating as a common risk management and insurance program. The inter-local agreement with the Florida League of Cities Municipal Self Insurance Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies.

The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2011

NOTE 6 – COMMITMENTS

Professional Services Agreement- Management Services

The Town enters into a professional service agreement for the positions of Town Manager, Town Clerk and financial reporting services. The current contract starts on October 1, 2011, and expires on September 30, 2014, and calls for monthly payments of \$20,885. Effective May 1, 2012, the contract was amended to include additional planning and zoning activities and the monthly payments were changed to \$27,135. The contract may be extended for additional one year terms, with the contract payments being increased by the percentage change in the Consumer Price Index – All Urban Consumers for the South Urban Region for corresponding period.

Interlocal Agreements with Palm Beach County

In 2007, the Town entered into two interlocal agreements with Palm Beach County (the County) for zoning services and land development services within the municipal limits of the Town. The County will provide the same level of service to the Town as it provides its unincorporated areas and collect fees and surcharges from applicants for the services. Oversight of the County's performance of these public services will be performed by the Town Manager. In 2011, the Town and the County amended one of the interlocal agreements whereby, the Town of Loxahatchee Groves has accepted responsibility for Planning and Zoning Services while Building Permitting and Inspection Services are performed by Palm Beach County. Both agreements automatically renew each year unless either party notifies the other, in writing, of the other party's desire to terminate all or part of the agreements six months in advance, but no later than April 1 of the previous fiscal year.

Agreement with Palm Beach County for Law Enforcement Services

During 2008, the Town executed an agreement with Palm Beach County for law enforcement services within the Town's boundaries. There have been two addendums to the agreement to amend the term and payments. The agreement currently expires on September 30, 2011, and the total cost of personnel and equipment is \$274,776 payable in monthly installments of \$22,898

Solid Waste and Recycling Collection Franchise Agreement

During 2008, the Town executed an agreement with Waste Pro of Florida for solid waste and recycling collection services. The term of the agreement is for the period beginning October 1, 2008 through September 30, 2013. Residential rates are set by a monthly amount per unit and commercial rates are set per cubic yard or per pull. The rates are adjusted based the Refuse Rate Index.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 7 – ACCOUNTING CHANGE

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town implemented this standard in fiscal year 2011. Changes to the government fund type fund balance reporting are reflected in the financial statements and schedules. Related disclosures are included in Note 1.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2011

	Budget Amounts		Actual	
	Original	Final Revised	Amounts	Variance
Revenues				
Property taxes	\$ 263,434	\$ 263,434	\$ 263,170	\$ (264)
Franchise taxes	216,000	216,000	207,153	(8,847)
Utility service taxes	454,944	454,944	345,155	(109,789)
Intergovernmental revenues	292,018	292,018	281,946	(10,072)
Licenses and permits	8,000	8,000	9,596	1,596
Charges for services	2,500	2,500	2,352	(148)
Interest and other	19,000	19,000	20,064	1,064
Total revenues	<u>1,255,896</u>	<u>1,255,896</u>	<u>1,129,436</u>	<u>(126,460)</u>
Expenditures				
General government				
Legislative	13,200	13,200	7,606	5,594
Executive	216,500	217,100	217,921	(821)
Town clerk	11,750	17,350	19,605	(2,255)
Finance	18,000	15,000	15,000	
Legal	100,000	123,000	116,099	6,901
Planning and zoning	121,000	133,000	76,586	56,414
Other general government		30,400	27,847	2,553
Total general government	<u>480,450</u>	<u>549,050</u>	<u>480,664</u>	<u>68,386</u>
Public safety				
Police	<u>283,785</u>	<u>283,785</u>	<u>274,785</u>	<u>9,000</u>
Physical environment				
Sanitation	<u>5,000</u>	<u>5,000</u>	<u>407</u>	<u>4,593</u>
Total expenditures	<u>769,235</u>	<u>837,835</u>	<u>755,856</u>	<u>81,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>486,661</u>	<u>418,061</u>	<u>373,580</u>	<u>44,481</u>
Other financing sources				
Transfers out	<u>459,661</u>	<u>418,061</u>		<u>418,061</u>
Total other financing sources	<u>459,661</u>	<u>418,061</u>		<u>418,061</u>
Net change in fund balance	<u>\$ 946,322</u>	<u>\$ 836,122</u>	<u>373,580</u>	<u>\$ 462,542</u>
Fund balance, beginning of year			<u>1,671,555</u>	
Fund balance, end of year			<u>\$ 2,045,135</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Transportation Special Revenue Fund
For the Year Ended September 30, 2011

	Budget Amounts		Actual	
	Original	Final Revised	Amounts	Variance
Revenues				
Intergovernmental revenues	\$ 382,846	\$ 382,846	\$ 353,519	\$ (29,327)
Total revenues	<u>382,846</u>	<u>382,846</u>	<u>353,519</u>	<u>(29,327)</u>
Expenditures				
Physical environment				
Roads and streets	<u>422,846</u>	<u>422,846</u>	<u>182,589</u>	<u>240,257</u>
Total expenditures	<u>422,846</u>	<u>422,846</u>	<u>182,589</u>	<u>240,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,000)</u>	<u>(40,000)</u>	<u>170,930</u>	<u>(210,930)</u>
Other financing sources				
Transfers in	<u>(40,000)</u>	<u>(40,000)</u>		<u>(40,000)</u>
Total other financing sources	<u>(40,000)</u>	<u>(40,000)</u>		<u>(40,000)</u>
Net change in fund balance	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	<u>170,930</u>	<u>\$ (250,930)</u>
Fund balance, beginning of year			<u>449,365</u>	
Fund balance, end of year			<u>\$ 620,295</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Budgetary

Required Supplementary Information (RSI)

September 30, 2011

Note 1 - Basis of Accounting

Budgetary comparison schedules are presented for the General Fund and Transportation Fund, as required by generally accepted accounting principles. The budgetary process is described in Note 2 to the financial statements on page 24. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 2 - Stewardship, Compliance, and Accountability

Appropriations are legally controlled at the fund level, and expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2011, there were no funds that had an excess of expenditures over appropriations.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Loxahatchee Groves' comprehensive annual financial report presents detailed unaudited information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents

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Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:

Net Assets by Component	33
Changes in Net Assets	34
Fund Balances of Governmental Funds	35
Changes in Fund Balances of Governmental Funds	36
General Governmental Revenues by Source	37-38

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Assessed Value and Estimated Actual Value of Taxable Property	39-40
Property Tax Rates Direct and Overlapping Governments	41-42
Principal Property Tax Payers	43
Property Tax Levies and Collections	44

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Direct and Overlapping Governmental Activities Debt	45
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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Demographic and Economic Statistics	46
Principal Employers	47

Operating Information

These schedules contain service and infrastructure data to help understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

Full-Time Equivalent Town Government Employees by Function/Program	48
Operating indicators By Function	49

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Net Assets By Component
Last Ten Fiscal Years (1)
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:					
Invested in capital assets (net of depreciation)	\$ 4,369	\$ 3,480	\$ 5,100	\$ 3,656	\$ 3,656
Restricted		16,849	315,885	449,365	449,365
Unrestricted	<u>228,241</u>	<u>658,888</u>	<u>1,133,301</u>	<u>1,671,555</u>	<u>1,671,555</u>
Total governmental activities net assets	<u>\$ 232,610</u>	<u>\$ 679,217</u>	<u>\$ 1,454,286</u>	<u>\$ 2,124,576</u>	<u>\$ 2,124,576</u>
Primary government:					
Invested in capital assets (net of depreciation)	\$ 4,369	\$ 3,480	\$ 5,100	\$ 3,656	\$ 3,656
Restricted			315,885	449,365	449,365
Unrestricted	<u>228,241</u>	<u>653,424</u>	<u>1,133,301</u>	<u>1,671,555</u>	<u>1,671,555</u>
Total primary government net assets	<u>\$ 232,610</u>	<u>\$ 656,904</u>	<u>\$ 1,454,286</u>	<u>\$ 2,124,576</u>	<u>\$ 2,124,576</u>

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Changes in Net Assets
Last Ten Fiscal Years (1)
(accrual basis of accounting)

	2007	2008	2009	2010	2011
EXPENSES					
Governmental activities:					
General government	\$ 113,836	\$ 581,459	\$ 558,728	\$ 451,305	\$ 451,305
Public safety	-	241,921	280,295	272,064	272,064
Physical environment	-	383,508	480,523	716,178	716,178
Total governmental activities	<u>113,836</u>	<u>1,206,888</u>	<u>1,319,546</u>	<u>1,439,547</u>	<u>1,439,547</u>
Total primary government expenses	<u>113,836</u>	<u>1,206,888</u>	<u>1,319,546</u>	<u>1,439,547</u>	<u>1,439,547</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	14	8,119	12,496	12,743	12,743
Public safety	-	1,500	-	-	-
Physical environment	-	330,238	500,260	445,368	445,368
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>14</u>	<u>339,857</u>	<u>512,756</u>	<u>458,111</u>	<u>458,111</u>
Total primary government revenues	<u>14</u>	<u>339,857</u>	<u>512,756</u>	<u>458,111</u>	<u>458,111</u>
Net (expense) revenue of governmental activities	<u>(113,822)</u>	<u>(867,031)</u>	<u>(806,790)</u>	<u>(981,436)</u>	<u>(981,436)</u>
Total primary government net expenses	<u>(113,822)</u>	<u>(867,031)</u>	<u>(806,790)</u>	<u>(981,436)</u>	<u>(981,436)</u>
General revenues and Other Changes in Net Assets:					
Governmental activities:					
Property taxes	-	508,845	446,294	321,912	321,912
Utility taxes	154,857	205,802	268,748	481,710	481,710
Franchise fees based on gross receipts	65,729	218,236	232,172	208,158	208,158
Unrestricted intergovernmental revenue	124,459	361,896	625,617	633,171	633,171
Interest and other	1,387	18,859	9,028	6,775	6,775
Total governmental activities	<u>346,432</u>	<u>1,313,638</u>	<u>1,581,859</u>	<u>1,651,726</u>	<u>1,651,726</u>
Total primary government	<u>346,432</u>	<u>1,313,638</u>	<u>1,581,859</u>	<u>1,651,726</u>	<u>1,651,726</u>
Change in Net Assets					
Governmental activities	<u>232,610</u>	<u>446,607</u>	<u>775,069</u>	<u>670,290</u>	<u>670,290</u>
Total primary government	<u>\$ 232,610</u>	<u>\$ 446,607</u>	<u>\$ 775,069</u>	<u>\$ 670,290</u>	<u>\$ 670,290</u>

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund					
Nonspendable-prepays	\$ 5,095	\$ 20,944	\$ 27,969	\$ 28,437	\$ 28,437
Reserved for transportation			315,885		
Unassigned	<u>223,146</u>	<u>654,793</u>	<u>1,105,332</u>	<u>1,643,118</u>	<u>1,643,118</u>
Total general fund	<u><u>\$ 228,241</u></u>	<u><u>\$ 675,737</u></u>	<u><u>\$ 1,449,186</u></u>	<u><u>\$ 1,671,555</u></u>	<u><u>\$ 1,671,555</u></u>
 All other governmental funds					
Reserved for transportation	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 449,365</u>	<u>\$ 449,365</u>
Total all other governmental funds	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 449,365</u></u>	<u><u>\$ 449,365</u></u>

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011
REVENUES					
Property taxes	\$ -	\$ 508,845	\$ 446,294	\$ 321,912	\$ 321,912
Utility taxes	154,857	205,802	268,748	481,710	481,710
Franchise fees	65,729	218,236	232,172	208,158	208,158
Intergovernmental revenue	124,459	361,896	625,617	633,171	633,171
Charge for services	-	330,238	502,035	447,379	447,379
Licenses and permits	-	8,119	10,721	10,732	10,732
Fines and forfeitures	14	1,500	-	-	-
Interest and other	1,387	18,859	9,028	6,775	6,775
Total revenues	<u>346,446</u>	<u>1,653,495</u>	<u>2,094,615</u>	<u>2,109,837</u>	<u>2,109,837</u>
EXPENDITURES					
Current:					
General government	113,762	807,439	560,348	449,861	449,861
Public safety	-	241,921	280,295	272,064	272,064
Solid waste	-	156,639	480,523	716,178	716,178
Capital outlay	4,443				
Total expenditures	<u>118,205</u>	<u>1,205,999</u>	<u>1,321,166</u>	<u>1,438,103</u>	<u>1,438,103</u>
Net change in fund balances	<u>\$ 228,241</u>	<u>\$ 447,496</u>	<u>\$ 773,449</u>	<u>\$ 671,734</u>	<u>\$ 671,734</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
General Governmental Revenues By Source
Last Ten Fiscal Years (1)
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Ad-Valorem Taxes General Purpose</u>	<u>Utility Tax</u>	<u>Intergovernmental</u>	<u>Franchise Tax</u>
2007	\$ -	\$ 154,857	\$ 124,459	\$ 65,729
2008	508,845	187,584	361,896	218,236
2009	446,294	268,748	625,617	232,172
2010	321,912	481,710	633,171	208,158
2011	263,170	345,155	635,465	207,153

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town

Charges for Service (2)	License and Permits	Interest	Fines and Forfeitures	Total
\$ -	\$ -	\$ 1,387	\$ 14	\$ 346,446
330,238	8,119	18,859	1,500	1,635,277
502,035	10,721	9,016	12	2,094,615
444,379	10,732	6,775	-	2,106,837
2,352	9,596	20,064	-	1,482,955

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (1)

Fiscal Year	Real Property				Personal Property	Net Assessed Value
	Residential Property	Commercial Property	Agricultural Property	Gov't/Institutional Property		
2007	(1)	(1)	(1)	(1)	(1)	(1)
2008	245,439,224	17,618,241	72,320,220	2,222,765	12,680,070	350,280,520
2009	207,549,455	18,974,712	71,068,044		9,797,359	307,389,570
2010	146,181,111	16,932,326	54,450,995		9,823,860	227,388,292
2011	143,947,895	14,652,455	59,567,834		12,798,827	230,967,011

Note: Property in the Town is reassessed each year. State law requires the Property Appraiser to appraise property at 100% of market value. The Florida Constitution was amended, effective January 1, 1995, to limit annual increases in assessed value of property with homestead exemption to 3% per year or the amount of the Consumer Price Index, whichever is less. The increase is not automatic since no assessed value shall exceed market value. Tax rates are per \$1,000 of assessed value.

- (1) The Town incorporated in November 2006 and its first year of setting its millage rate was fiscal year 2008. Therefore, information for fiscal periods prior to that are not available.

Total Direct Tax Rate	Estimated Actual Value	Net Assessed Value as a Percentage of Estimated Actual Value
(1)	(1)	(1)
1.5000	727,915,606	48.12%
1.5000	653,870,928	47.01%
1.4000	459,295,516	49.51%
1.2000	327,489,734	70.53%

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (1)

Fiscal Year	Town Total Direct Millage	OVERLAPPING RATES			
		Palm Beach County School District	Palm Beach County	County Palm Beach County Health Care District	Palm Beach County Library System
2007	(1)	(1)	(1)	(1)	(1)
2008	1.500	7.360	6.760	0.890	0.540
2009	1.500	7.250	6.920	1.000	0.540
2010	1.400	7.980	8.020	1.150	0.550
2011	1.200	8.010	8.450	1.150	0.610

- (1) The Town incorporated in November 2006 and its first year of setting its millage rate was fiscal year 2008. Therefore, information for fiscal periods prior to that are not available.

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Source: Town of Loxahatchee Groves Finance Department and Palm Beach Property Appraiser's Office.

OVERLAPPING RATES

		Special Districts	
South Florida Water Management District	Children's Services Council	Florida Inland Navigation District	Total Direct and Overlapping Rates
(1)	(1)	(1)	(1)
0.620	0.580	0.030	18.280
0.620	0.600	0.040	18.470
0.620	0.690	0.040	20.450
0.620	0.748	0.035	20.823

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Principal Property Taxpayers
Last year and nine years ago

2011				2002(1)			
<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage Total Assessed Valuation</u>	<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage Total Assessed Valuation</u>
ZDARSKY CONSTANTINE	\$ 2,358,031	1	1.04				
R BROKE NOW LLC	2,328,627	2	1.02				
YEES CORP	1,796,560	3	0.79				
EVERGLADES FARM EQUIP CO	1,731,146	4	0.76				
SOUTHERN MANAGEMENT CORP	1,601,806	5	0.70				
SUNSPORT GARDENS	1,248,949	6	0.55				
JACA BUSINESS CORP	1,151,601	7	0.51				
GROVES MEDICAL PLAZA LLC	1,128,204	8	0.50				
ROYALS OK LUNCH INC	1,025,007	9	0.45				
ACKERMAN LORI &	795,001	10	0.35				
	<u>\$ 15,164,932</u>		<u>6.67</u>				

(1) The Town incorporated in November 2006. Therefore, information for fiscal periods prior to that are not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Property Tax Levies and Collections
Last Ten Fiscal Years (1)

Fiscal Year	Total Taxes Levied for Fiscal Year	Collected Within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2007	(1)	(1)	(1)	(1)	(1)	(1)
2008	543,920	508,845	93.55%	n/a	508,845	93.55%
2009	465,999	441,450	94.73%	n/a	446,294	94.73%
2010	319,175	307,800	96.44%	n/a	321,912	96.44%
2011	263,434	261,597	99.30%	n/a	263,170	99.30%

- (1) The Town incorporated in November 2006 and its first year of setting its millage rate was fiscal year 2007. Therefore, information for fiscal periods prior to that are not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Direct and Overlapping Governmental Activities Debt
Fiscal year ended September 30, 2011

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Amount Applicable to Town of Loxahatchee Groves</u>
Debt repaid with property taxes:			
Palm Beach County	\$ 250,470,000	0.18%	450,846
Palm Beach County School Board	29,555,000	0.18%	53,199
Other debt:			
Palm Beach County	888,161,139	0.18%	1,598,690
Palm Beach County School Board	1,886,293,000	0.18%	3,395,327
Town of Loxahatchee Groves direct debt		n/a	-
Total direct and overlapping debt			<u>\$ 5,498,062</u>

Sources: Data provided by the Palm Beach Country Finance Department and Palm Beach Country School Board

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Loxahatchee Groves. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values by taking the value that is within the Town's boundaries and dividing it by the County's and School Boards total taxable assessed value. This approach was also used for the other debt.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Demographic and Economic Statistics
Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Personal Income (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2007	3,200	n/a	\$ 59,147	4.7%
2008	3,200	n/a	n/a	7.4%
2009	3,200	n/a	n/a	11.7%
2010	3,200	n/a	n/a	12.4%
2011	3,091	n/a	n/a	12.4%

(1) Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

(2) Population estimate for 2007 as published by the University of Florida, Bureau of Economic and Business Research. Estimated population for 2006 is from Adopted Operating Budget.

(3) Personal income is the Palm Beach County per capita personal income applied to the Loxahatchee Groves population.

(4) Per Capita Personal Income is for Palm-Beach County from the U.S. Department of Commerce, Bureau of Economic Analysis. The most recent data are for fiscal 2005.

(5) Florida Agency for Workplace Innovation, Labor Force Statistics, Labor Force Summary, Annual Average Employment for Palm-Beach County.

n/a Data not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Principal Employers - Palm Beach County

Last year and nine years ago

Employer	2010			2002(1)		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>Percentage of Total County Employment</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>Percentage of Total County Employment</u>
Palm Beach County School District	21,495	1	3.71%			
Palm Beach County	11,381	2	1.96%			
Tenet Healthcare Corp.	6,100	3	0.94%			
Florida Power & Light	3,635	4	0.63%			
Wackenhut Corporation	3,000	5	0.52%			
Hospital Corporation of America	2,714	6	0.47%			
Florida Atlantic University	2,706	7	0.47%			
Bethesda Memorial Hospital	2,391	8	0.41%			
Boca Raton Community Hospital	2,250	9	0.40%			
Veterans Health Administration	2,207	10	0.40%			
	<u>57,879</u>		<u>9.91%</u>			

Source: Business Development Board of Palm Beach County

Note: The Town is not a significant area for employment but rather a residential community. Therefore, Palm Beach County statistics were used.

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Full-Time Equivalent Town Government Employees By Function
Last Ten Fiscal Years (1)

Function	2007	2008	2009	2010	2011
Legislative	(2)	(2)	(2)	(2)	(2)
Clerk	(2)	(2)	(2)	(2)	(2)
General government	(2)	(2)	(2)	(2)	(2)
Community Development	(2)	(2)	(2)	(2)	(2)
Public Works	(2)	(2)	(2)	(2)	(2)
Parks	(2)	(2)	(2)	(2)	(2)
Public Safety: Police	(3)	(3)	(3)	(3)	(3)

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

(2) - Town Manager and Town Clerk as well as other managerial services are provided by a private management company.

(3) - Police services contracted through Palm Beach County .

Source: Town of Loxahatchee Groves Finance Department

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Operating Indicators By Function
Last Ten Fiscal Years (1)

Function/Program	2007	2008	2009	2010	2011
Public Safety					
Police:					
Number of emergency calls for service	(2)	(2)	(2)	(2)	(2)
Number of non-emergency calls for service	(2)	(2)	(2)	(2)	(2)
Number of arrests	(2)	(2)	(2)	(2)	(2)
Number of uniformed officers	(2)	(2)	(2)	(2)	(2)
Building and Zoning:					
Number of building permits issued	(2)	(2)	(2)	(2)	(2)
Number of certificates of use issued	(2)	(2)	(2)	(2)	(2)
Number of occupational licenses issued	(2)	(2)	(2)	(2)	(2)
Culture and Recreation					
Number of parks	(3)	(3)	(3)	(3)	(3)

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

(2) - The County provided these services for 2007. In 2008, the Town contracted with the County for these services.

(3)- The County did not transfer any parks during 2007.

Source: Town Clerk

COMPLIANCE SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCOPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CPA
ALEXIA G. VARGA, CPA
EDWARD T. HOLT, JR., CPA
BRIAN J. BRESCIA, CFP®, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
KARA D. PETERSON, CPA

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Honorable Mayor and Members of the Town Council
Town of Loxahatchee Groves, Florida

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 23, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the management of the Town of Loxahatchee Groves in a separate letter dated May 23, 2012.

This report is intended solely for the information and use of the Town Council and management and is not intended to be and should not be used by anyone other than those specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
May 23, 2012



NOWLEN, HOLT & MINER, P.A.

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WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
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KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
KARA D. PETERSON, CPA

MANAGEMENT LETTER

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Honorable Mayor and Members of the Town Council
Town of Loxahatchee Groves

We have audited the financial statements of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2011, and have issued our report thereon dated May 23, 2012.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated May 23, 2012, should be considered conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

PRIOR YEAR COMMENTS

The Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

CURRENT YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter any recommendations to improve financial management. In connection with our audit for the fiscal year ended September 30, 2011, we have the following recommendations:

2011-1 Recording and Recordkeeping

In performing our audit we noted the following:

- Two months credit card bills were paid late resulting in interest charges being assessed.
- An invoice was paid twice for legal advertising, and the credit was not applied to the same expense accounts as the double posting.
- A voided check did not have the signatures lines defaced.
- Minutes were not properly maintained for all the Council meetings.
- A capital asset was purchased which was not budgeted or expended in a capital outlay account. In addition, Land donated by Palm Beach County was not identified for recording in the Entity Wide Financial Statements.
- The Public Depositor Annual Report to the Chief Financial Officer report which lists the Town's bank accounts in qualified public depositories as of September 30 was not timely filed.
- The ad valorem proceeds in the Budget Summary Advertisement were computed by using less than 95 percent of the gross taxable value, as required by s. 200.065(2)(a)1., F.S. for September 30, 2012 budget.

We recommend that the Town improve procedures over recording and recordkeeping to prevent such errors from happening in the future.

Management's Response: We concur with the findings. These items occurred with the previous Management entity. We have taken steps to rectify the matters and have financial procedures under continued review for improvement.

Investment of Public Funds

Rules of the Auditor General, require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit for the fiscal year ended September 30, 2011, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General, require that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit for the fiscal year ended September 30, 2011, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General, require based on professional judgment, the reporting of the following matters that have an inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit for the fiscal year ended September 30, 2011, we did not have any such findings.

Oversight Unit and Component Units

The Town of Loxahatchee Groves, Florida is a municipal corporation organized pursuant to Chapter 2006-328, Laws of Florida. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, our audit included a review of whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes. The results of our procedures did not disclose that the Town of Loxahatchee Groves has met any of the conditions described in Section 218.503(1) during the year ended September 30, 2011.

Financial Condition Assessment Procedures

As required by Rules of the Auditor General we applied financial condition assessment procedures as of the fiscal year ended September 30, 2011 for the Town of Loxahatchee Groves. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

In connection with our audit, we reviewed the Annual Financial Report of Units of Local Government filed by the Town of Loxahatchee Groves with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, for the year ended September 30, 2011. We noted that the amounts reported in the Annual Financial Report were in substantial agreement with the annual financial audit report for the year ended September 30, 2011.

The Town of Loxahatchee Groves, Florida's response the finding identified in our audit is listed above. We did not audit the Town of Loxahatchee Groves, Florida's response and, accordingly, we express no opinion on it.

We appreciate the courtesy and cooperation shown us by your officials and employees. If you have any questions or wish to discuss these comments further, we would be pleased to meet with you at your convenience.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Town Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
May 23, 2012